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# LETTER DATED 28 APRIL 1994 FROM THE SECRETARY-GENERAL TO THE PRESIDENT OF THE SECURITY COUNCIL

I wish to bring to the Security Council's attention my concern over the financial emergency which the United Nations Compensation Commission is facing after almost three years of intensive work to fulfil its mandate.

In a letter dated 24 March 1994, the President of the Commission's Governing Council informed me that the Commission had sufficient funds to pay approximately $4 million in awards for compensation of individual claims expected to be approved in May 1994, but no funds to pay the second group of awards, amounting to over $200 million, that are to be issued in September and October 1994. A similar letter was addressed to the President of the Security Council (S/1994/366).

I need not underscore the negative effects that this state of affairs will have on the credibility of the compensation operation, on the authority of the relevant United Nations bodies and on the situation of millions of anxious claimants. The Security Council, which established the Compensation Commission as one of its subsidiary organs and defined its mandate, may therefore want to consider how it could enable the Commission to accomplish the mission entrusted to it.

For my part, I have taken every opportunity to urge the Government of Iraq to accept the Council's offer of a limited sale of oil as described in resolutions 706 and 712 (1991) and in the decision taken by the Security Council Committee established by resolution 661 (1990) at its 51st meeting on 15 October 1991. In addition to providing funds for Iraq's humanitarian needs, such a sale would allow the Compensation Fund to continue to pay awards to those who have suffered losses as a result of Iraq's invasion of Kuwait.

Pursuant to Security Council resolution 778 (1992), I have also requested Member and Observer States of the United Nations to provide me with all the information necessary to identify funds derived from the sale of Iraqi petroleum or petroleum products and to ascertain the whereabouts and amounts of any such products currently under their jurisdiction. As you know, 30 per cent of oil-related funds deposited to the escrow account was to be designated for the Compensation Fund.

Out of 66 Member and Observer States who responded to my request, 61 stated that they held no petroleum or petroleum products or frozen assets subject to the provisions of resolution 778 (1992); two declared that they held funds which would be used to meet Iraq's debts; and three stated that they held funds that came under resolution 778 (1992), portions of which were subsequently deposited to the escrow account.

As of 19 April 1994, a total of $243.35 million had been deposited in the United Nations escrow account, of which $158.59 million represented Iraqi frozen oil assets or proceeds from the sale of oil. Of this amount $47.58 million was designated for the Compensation Fund. An additional $84.76 million had been contributed to the escrow account by a number of Member States who earmarked their deposits for specific United Nations activities in Iraq. Of that sum $6 million had been transferred to the Compensation Fund.

I should like to recall that paragraph 2 of resolution 778 (1992) provides that all States in which there are petroleum or petroleum products owned by Iraq shall take steps to purchase or arrange for the sale of such products, the proceeds of which are to be transferred to the escrow account as soon as possible. The Security Council may wish to consider exploring ways in which funds may still be obtained for the Compensation Fund from such sources including Iraq's petroleum and petroleum products that were in some countries after the embargo and were impounded, sold or used months after the adoption of resolution 778 (1992).

During the weeks immediately preceding the imposition of sanctions by the Security Council, Iraq exported substantial volumes of oil for which payment would not have been completed when the sanctions took effect on 6 August 1990. While I have no independent information on the size of the sums which would have been due to Iraq for such shipments, reports from oil industry sources suggest that this amounts to hundreds of millions of dollars. Since the oil industry might be better equipped than Governments to track and locate the corresponding funds, I would be prepared, should the Council wish me to do so, to seek from oil companies information which would make it possible to identify these funds and arrange their transfer to the escrow account.

Given the scant time before resources of the Compensation Fund are depleted, I would urge the Security Council to consider acting swiftly to facilitate the transfer to the Fund of Iraqi oil-related frozen funds or proceeds from the sale of oil. This would allow the Compensation Commission to render the quick and effective justice to the victims of Iraq's invasion of Kuwait which the Council has mandated it to provide.

(Signed) Boutros BOUTROS-GHALI

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